

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 EURE-00 AID-20 CEA-02 CIAE-00

COME-00 EB-11 EA-11 FRB-02 INR-10 NEA-10 NSAE-00

RSC-01 OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06 SIL-01

SWF-02 OMB-01 STR-08 SS-20 NSC-07 L-03 OIC-04 FEA-02

INT-08 AEC-11 FPC-01 SCI-06 AGR-20 H-03 DODE-00 PA-04

USIA-15 PRS-01 XMB-07 DRC-01 /255 W
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TO SECSTATE WASH DC PRIORITY 2328

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E.O. 11652:

TAGS: EGEN, OECD

SUBJECT: XCSS APRIL 23-24: COMMODITIES

1. SUMMARY. WHILE FOCUS OF 6TH XCSS WILL BE PRIMARILY ON INTERNATIONAL ECONOMIC POLICY IMPLICATIONS OF DEVELOPMENTS IN ENERGY FIELD, SECRETARIAT AND CHAIRMAN ENVISAGE SUBSTANTIAL DISCUSSION ALSO UNDER ITEM 5 OF AGENDA, "COMMODITY PROBLEMS." MEETING WILL PROVIDE OPPORTUNITY FOR REVIEW OF SITUATION INCLUDING QUESTIONS OF EXPORT RESTRAINTS AND SECURITY OF SUPPLY IN FIELDS OTHER THAN OIL. XCSS MAY ALSO PROVIDE IMPETUS FOR RELATED WORK IN OTHER PARTS OF OECD AND ELSEWHERE. END SUMMARY

2. PRINCIPAL PAPER ON COMMODITIES, CE(74)5, REVIEWS RECENT COMMODITY DEVELOPMENTS AND CURRENT SITUATION, LARGELY DISMISSES DANGER OF OPEC-LIKE CARTEL ARRANGEMENTS FOR OTHER COMMODITIES, DISTINGUISHES AMONG DIFFER-

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ENT TYPES OF COMMODITY SITUATIONS, AND SUGGESTS OECD

GOVERNMENTS MAY WISH AT TIME OF GENERALLY HIGH COMMODITY PRICES TO CONSIDER ACTION TO SMOOTH OUT FUTURE PRICE MOVEMENTS.

3. PAPER PROPOSES POSSIBLE ACTION BY OECD IN THREE CATEGORIES:

(A) MARKET SURVEILLANCE, FORECASTING AND CONSULTATION. DOCUMENT SUGGESTS XCSS MIGHT INITIATE SURVEYS ON COMMODITIES OTHER THAN FOOD SIMILAR TO THAT PROPOSED BY U.S. AND JUST APPROVED BY COUNCIL FOR STUDY OF TRENDS IN SUPPLY AND DEMAND OF MAJOR AGRICULTURAL COMMODITIES (USOECD 8277). IN SUPPLEMENTARY NOTE, CE(74)6, SECRETARIAT BRIEFLY DESCRIBES CURRENT WORK ON COMMODITIES IN OECD AND OTHER ORGANIZATIONS. IN DOCUMENT CE(74)8 FRENCH DELEGATION, FOLLOWING UP FRENCH PROPOSAL AT OCTOBER 1973 HIGH-LEVEL DAC MEETING, SUGGESTS ORGANIZATION BEGIN WITH MORE DETAILED INVENTORY OF STUDIES ALREADY UNDERTAKEN TO IDENTIFY GAPS AND CONSIDER MEANS OF FILLING THEM. THIS SEEMS TO US TO BE SENSIBLE APPROACH. SUCH INVENTORY WOULD ALSO PROVIDE BASIS FOR CONSIDERING MECHANISM AND FORUMS FOR CONTINUING SURVEILLANCE, FORECASTING AND CONSULTATION FOR EACH COMMODITY. CE(74)5 SUGGESTS IN THIS CONTEXT THE XCSS MAY WISH TO EXPRESS ITS VIEW ON GREATER GOVERNMENT SUPPORT FOR COMMODITY PRODUCTION. WHILE SOME DISCUSSION MIGHT BE ENLIGHTENING, AND EXCHANGES ON SOME ASPECTS OF COMMODITIES POLICIES (SUCH AS RELATIONSHIP TO INFLATION PROBLEMS) COULD BE HIGHLY USEFUL, MISSION IS INCLINED TO DOUBT THAT XCSS COULD GET VERY FAR IN GENERALITIES ON GOVERNMENT SUPPORT FOR PRODUCTION OR THAT IT WILL BE IN POSITION TO DISCUSS SUPPLY PRODUCTION POLICY FOR SPECIFIC COMMODITIES. RATHER, IT SEEMS TO US THAT POLICIES TO PROMOTE SUPPLY SHOULD BE CONSIDERED WHEN AND PROBABLY WHERE INDIVIDUAL COMMODITIES ARE STUDIED.

(B) STOCK MANAGEMENT. MISSION HAS DOUBTS ABOUT SECRETARIAT'S PROPOSAL THAT XCSS CONSIDER INITIATING STUDIES OF "FEASIBILITY OF BUILDING UP LARGER STOCKS OF KEY COMMODITIES WHEN SUPPLIES IMPROVE." GENERAL-LIMITED OFFICIAL USE

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ZATIONS WOULD PROBABLY BE OF LIMITED VALUE. HOWEVER, IT MIGHT BE USEFUL TO SEEK XCSS CONSENSUS (1) THAT MEMBERS, WHEN STUDYING INDIVIDUAL COMMODITIES, SHOULD CONSIDER FEASIBILITY AND DESIRABILITY OF UNDERTAKING OBLIGATIONS REGARDING STOCKS, AND (2) THAT ANY AGREEMENTS ON STOCK BUILDING SHOULD PROVIDE FOR EQUITABLE BURDEN-SHARING AMONG BOTH PRODUCERS AND CONSUMERS.

(C) TRADE POLICIES. EMPHASIS IN SECRETARIAT DOCUMENT IS ON RELATIONS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES, BUT QUESTIONS INCLUDE ASSURANCE OF ADEQUATE SUPPLIES OF COMMODITIES EXPORTED BY DEVELOPED COUNTRIES. IF U.S. IS READY TO DO SO, THEREFORE, XCSS WILL PROVIDE OPPORTUNITY TO CONSULT ON POSSIBILITY OF AN INTERNATIONAL FRAMEWORK FOR EXPORT RESTRAINTS AND SUPPLY OBLIGATIONS ANALAGOUS TO GATT

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OBLIGATIONS CONCERNING IMPORTS. WILLINGNESS OF OECD COUNTRIES TO CONSIDER SUCH COMMITMENTS WOULD BE FACTOR IN SUGGESTING SIMILAR OBLIGATIONS ON PART OF DEVELOPING COUNTRIES.

4. MISSION SEES FUNCTION OF XCSS HERE AS TAKING INTEGRATED COMPREHENSIVE VIEW OF COMMODITIES SITUATION AND PROVIDING IMPETUS TO WORK RELATED TO COMMODITIES ELSEWHERE BOTH WITHIN AND OUTSIDE OECD. FOR INSTANCE, XCSS MIGHT SUGGEST THAT DAC PURSUE ITS CONSIDERATION OF PROBLEMS POSED BY RECENT TRENDS IN COMMODITY PRICES FOR COOPERATION WITH DEVELOPING COUNTRIES, AS SUGGESTED IN DOCUMENT DAC(74)L0. OECD SECRETARIAT MIGHT BE ASKED TO DO A STUDY OF BASIC MATERIALS PRODUCTIVE CAPACITY AND OUTLOOK OVER NEXT FIVE YEARS, AS U.S. SUGGESTED AT OCTOLIMITED OFFICIAL USE

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BER L973 MEETING OF ECONOMIC POLICY COMMITTEE'S WORKING PARTY 4. WORK OF TRADE AND AGRICULTURE COMMITTEES, INCLUDING STUDY OF TRENDS IN SUPPLY AND DEMAND OF MAJOR AGRICULTURAL COMMODITIES, SHOULD ALSO BE CONSIDERED. GUIDANCE MIGHT BE GIVEN TO INDUSTRY COMMITTEE, WHICH IS TAKING A FIRST LOOK AT QUESTIONS OF ENERGY AND INDUSTRIAL RAW MATERIALS SITUATION AT EXPERTS GROUP MEETING APRIL 29-30.

5. WE RECOGNIZE THAT XCSS WILL MEET MID-WAY THROUGH SPECIAL SESSION OF UN GENERAL ASSEMBLY, WHICH LIKELY TO ADDRESS SIMILAR RANGE OF QUESTIONS FROM SOMEWHAT DIFFERENT VIEWPOINT. IT MAY BE THAT XCSS, EITHER WITHIN THE SESSIONS OR INFORMALLY IN CORRIDORS, WILL BE USEFUL IN EXCHANGING VIEWS ON QUESTIONS BEING ADDRESSED IN UNGA. U.S. MAY WISH IN THIS CONNECTION TO EXPLORE DURING XCSS DISCUSSIONS WHETHER OTHER MEMBER GOVERNMENTS AGREE WITH SECRETARIAT CONCLUSION THAT NON-OIL CARTELS ARE UNLIKELY (STATE 69651).
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Message Attributes

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